

Basics of School Funding

Highlighting Changes from FY 2004 to FY 2008

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Office of Public Instruction

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Budgeted/Non-Budgeted Funds

1. Budgeted Funds (11 Funds)

- District trustees adopt expenditure budget annually
- Revenue may include tax levies
- Examples:
 - General
 - Transportation
 - Retirement



Budgeted/Non-Budgeted Funds

2. Non-Budgeted Funds

- District can spend up to cash balance in fund
- No tax revenue
- Examples:
 - Food Service
 - Miscellaneous Programs
 - Extracurricular



General Fund

- Authorized by 20-9-308, MCA
- Purpose: To finance general maintenance and operational costs of a district not financed by other funds
- Budgeted Fund (Tax Levy)
- Funding Model
- Funding Sources



Principles of Equalization

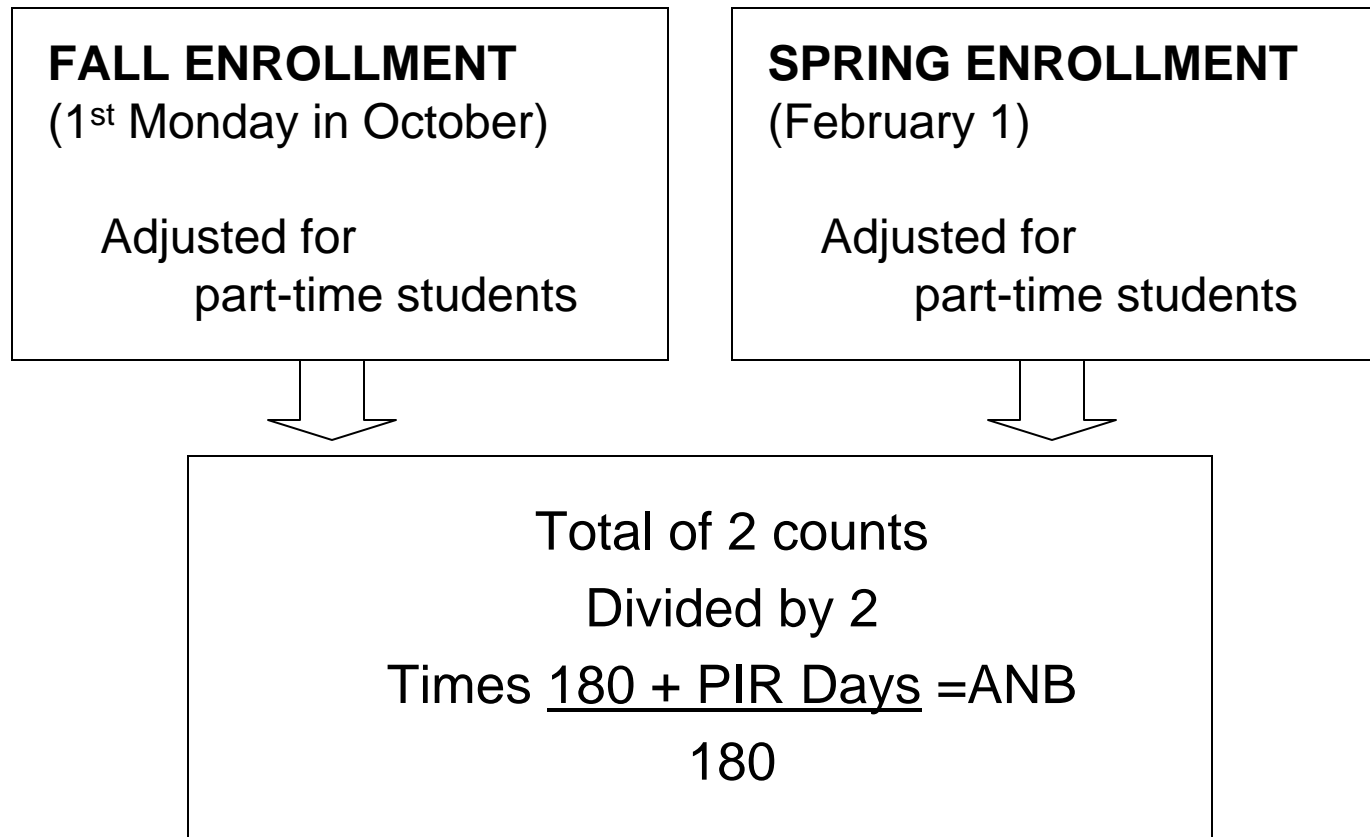
Basis for HB 667 (L.1993)

- Limit expenditure disparities to 25% from lowest to highest spending districts
- Recognize school district size and special education costs as educationally-relevant reasons for expenditure disparities

Average Number Belonging

- ANB – Average Number Belonging is a student count for each school district used for school funding purposes. The ANB count for the current year is derived from school enrollment counts conducted in October and February of the previous school year.

ANB = Average Number Belonging



Changes to ANB Calculation 2005 Session

- **3 year average ANB (HB63)** - An average ANB over the most recent 3-year period, calculated by:
 - (a) adding the current year ANB for the ensuing fiscal year to the ANB for each of the previous 2 fiscal years; and
 - (b) dividing the sum by three.
- **Part-time Enrollment (SB359)** - Changed ANB basis from $\frac{1}{2}$ time or full time and replaced it with $\frac{1}{4}$, $\frac{1}{2}$, $\frac{3}{4}$ or full time basis. SB359 clarified the conditions under which an enrolled student will generate ANB funding.

Changes to ANB Calculation 2005 Special Session

- **3-year average ANB** - The sunset clause for 3-year ANB average was removed. (SB1)

Changes to ANB Calculation 2007 Session

- **Full Time Kindergarten (SB2)** - ANB Funding for students enrolled in a Full-Time Kindergarten (FTK) program. With the addition of FTK the three year average is calculated by allowing the FTK ANB calculation to be included in the prior two years.
- **The definition of one-quarter enrollment for ANB is redefined** to 180-359 aggregate hours from 181-359 hours.

FY 2004

ANB = Average Number Belonging

FALL ENROLLMENT
(1st Monday in October)

Less ½ Kindergarten

Adjusted for ½-time students

SPRING ENROLLMENT
(February 1)

Less ½ Kindergarten

Adjusted for ½-time students

Total of 2 counts
Divided by 2
Times $\frac{180 + \text{PIR Days}}{180} = \text{ANB}$

FY 2008

ANB = Average Number Belonging

FALL ENROLLMENT
(1st Monday in October)

Adjusted for ¼, ½, ¾ -time students

SPRING ENROLLMENT
(February 1)

Adjusted for ¼, ½, ¾ -time students

Total of 2 counts
Divided by 2
Times $\frac{180 + \text{PIR Days}}{180} = \text{ANB}$

3yr Average (HB63)



General Fund Budget Elements

- Basic Entitlement
- Per-Student Entitlement
- State Special Education Payment
- Local Special Education Match Amount
- Quality Educator Payment (New FY2007)
- At-Risk Student Payment (New FY2007)
- Indian Education for All Payment (New FY2007)
- American Indian Achievement Gap Payment (New FY2007)

Entitlements (FY04)

Basic Entitlement	
Elementary	\$ 19,456
High School	\$ 216,171
Per ANB Entitlement	
Elementary	\$3,949 - \$0.20/ANB to 1,000 ANB
High School	\$5,262 - \$0.50/ANB to 800 ANB
Special Education Block Grant	
Instructional	\$122.67/ANB
Related-Services	\$ 40.89/ANB

Entitlements (FY08)

Basic Entitlement	
Elementary	\$ 21,290
Middle School	\$ 60,275
High School	\$ 236,552
Per ANB Entitlement	
Elementary	\$4,579 - \$0.20/ANB to 1,000 ANB
High School	\$5,861 - \$0.50/ANB to 800 ANB
Special Education Block Grant	
Instructional	\$143.89/ANB
Related-Services	\$ 47.96/ANB

Middle School Basic Entitlement

- **Middle School and 7-8 programs Basic Entitlement** Eliminating the proration for K-8 programs and providing 7-8 with \$60,275 in FY08 and \$62,083 in FY09.

(SB2) 2007 Session

Special Education

- **Funding Allocations**
 - 52.5% Instructional Block Grants
 - 17.5% Related Services Block Grants
 - 25% Disproportionate Cost Reimbursement
 - 5% Coop Travel and Administrative Costs
- Money is distributed on a per ANB basis not based on the number of students with disabilities.

SPED Entitlements (FY04)

Special Education Block Grant

Instructional	\$122.67/ANB
Related-Services	\$ 40.89/ANB

State Special Education Appropriation
\$ 30,939,589

SPED Entitlements (FY08)

Special Education Block Grant

Instructional	\$143.89/ANB
Related-Services	\$ 47.96/ANB

State Special Education Appropriation
\$ 35,895,346

Changes to General Fund Components 2005 Special Session

- Quality Educator Payment
FY07 \$2,000 per educator
- American Indian Achievement Gap Payment
FY07 \$200 per American Indian Student
- Indian Education for All Payment
FY07 \$20.40 per ANB min \$100 district
- At Risk Payment
FY07 \$5 million based on Title I Allocations

(SB1) 2005 Special Session

Quality Educator

Quality Educator is defined as a person who holds a valid certificate and is employed by a school District or Coop in a position that requires an educator license or other professional license to provide services to students.

Quality Educator Payment

Each district and special education cooperative received a \$2000 payment in FY07 for each full-time equivalent (FTE) licensed educator and other licensed professional employed by the school district, including registered nurses, licensed practical nurses, physical therapists, speech language professionals, counselors, occupational therapists and nutritionists. Social workers, psychologists and other professionals were added in the 2007 Session.

Changes to General Fund Components 2007 Session

- Quality Educator Payment
FY08 \$3,036 per educator
FY09 \$3,042 per educator
- At Risk Component
FY08/FY09 \$5 million per year
Distribution based on federal Title I
Allocations

(SB2) 2007 Session

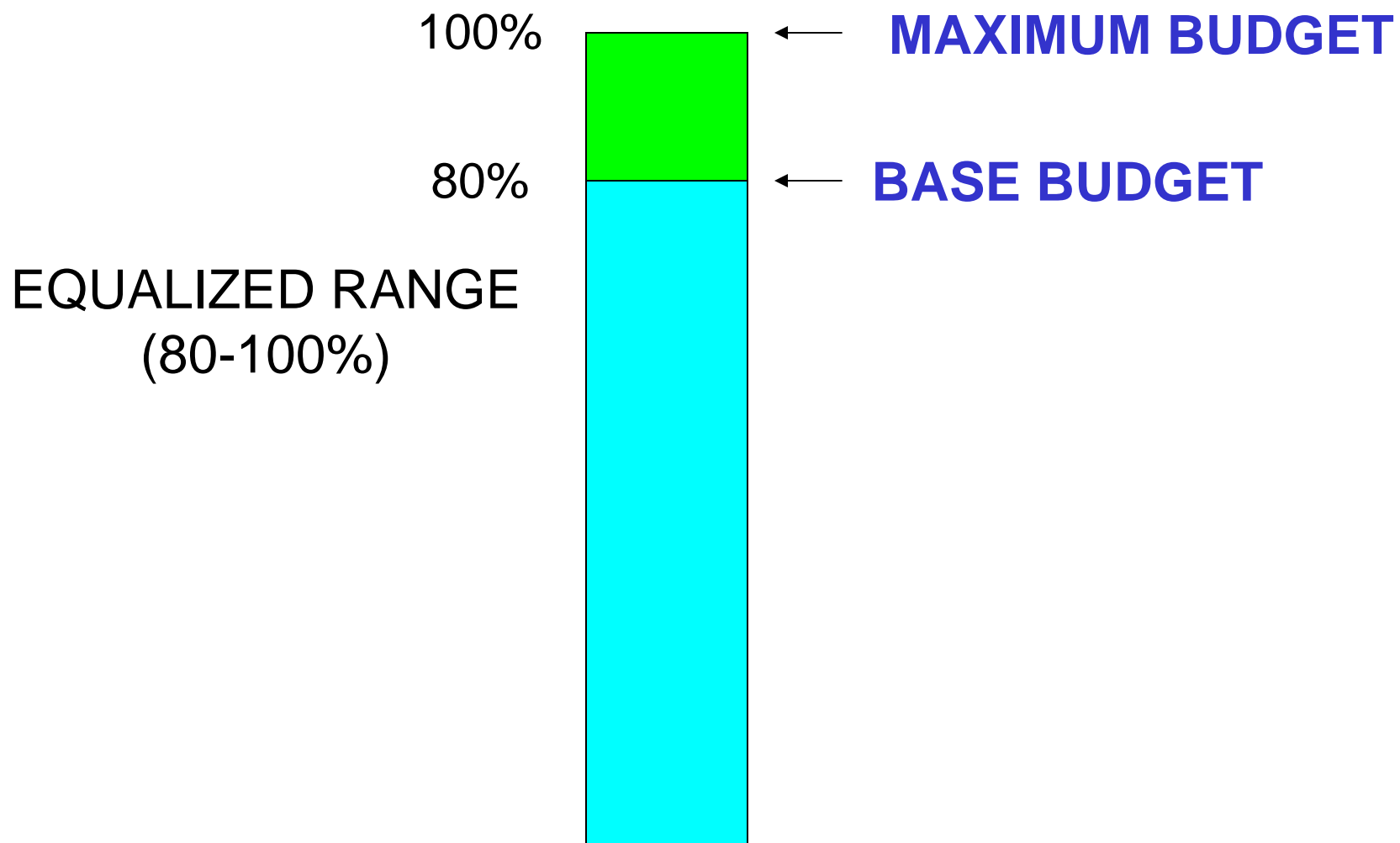
Maximum Budget (FY08)

- Basic Entitlement
- + Per-ANB Entitlement
- + 200% Special Ed Per Student
- + Quality Educator Payment
- + At-Risk Student Payment
- + Indian Education for All Payment
- + American Indian Achvmnt Gap Payment

MAXIMUM BUDGET (100%)



General Fund Budget Limits



Maximum

Over-BASE

BASE

BASE

80% Per-Student Entitlement

80% Basic Entitlement

100% Quality Educator Payment

100% At-Risk Student Payment

100% Indian Education for All Payment

100% Amer Indian Achvmnt Gap Payment

**140% Spec Ed Allowable Cost Funding
(State)**

The BASE is 80% of the basic and per-student entitlements, 100% of the other state entitlements, plus 140% of the state special education funding.



Maximum

BASE

Over-BASE

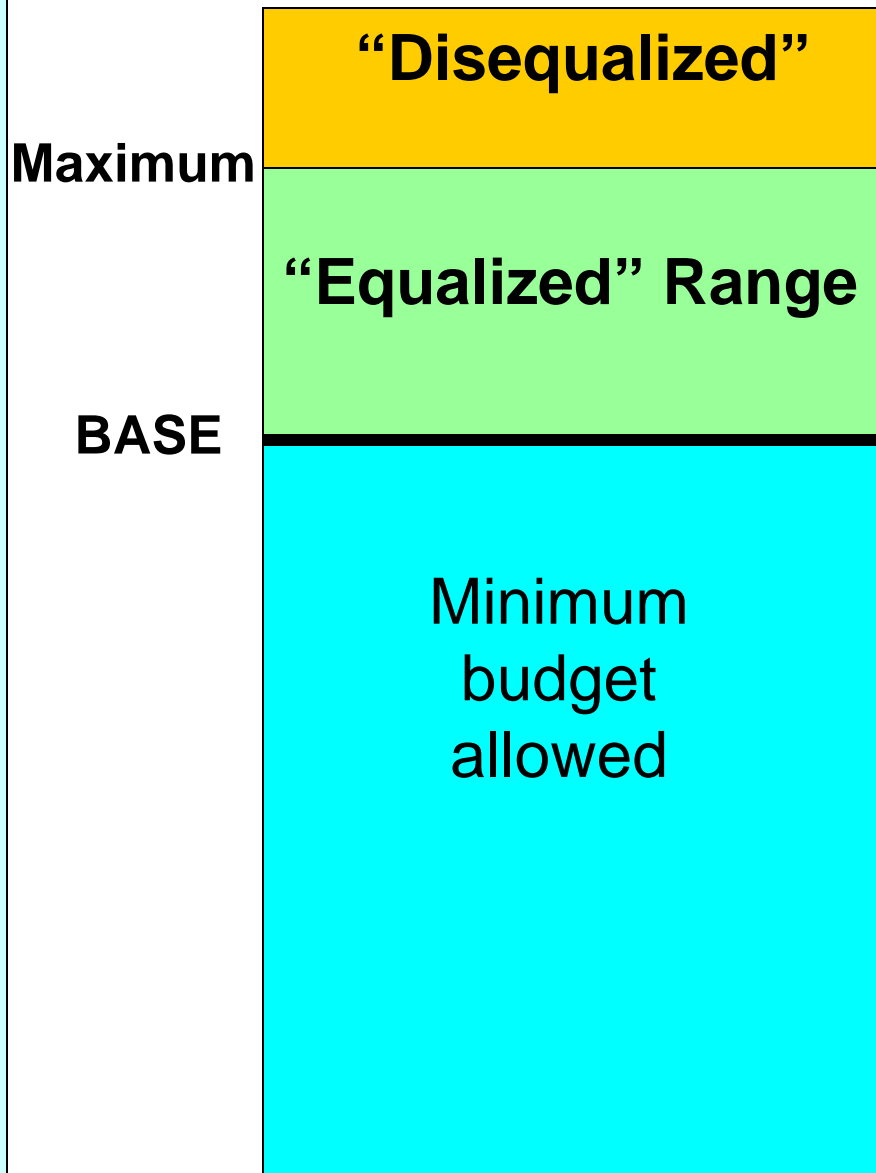
Maximum

100% Per-Student Entitlement
100% Basic Entitlement
100% Quality Educator Payment
100% At-Risk Student Payment
100% Indian Education for All Payment
100% Amer Indian Achvmnt Gap Payment
200% Spec Ed Allowable Cost Funding
(State)

The Maximum for a district is based on state entitlements that are driven by enrollment and other factors. From 175% to 200% of the state funding for special education is also included in the Maximum, depending on the district's previous costs of special education.



General Fund Budget Limits



A district may adopt a budget that exceeds the Maximum in limited cases.

In an effort to equalize school funding in Montana, state law encourages schools to adopt general fund budgets within an “equalized” range between the “BASE” and “Maximum.”

The BASE is the minimum legal budget for a district.

Highest Budget Without a Vote

General Fund Budget Limits

Over-BASE portion

Without a vote:

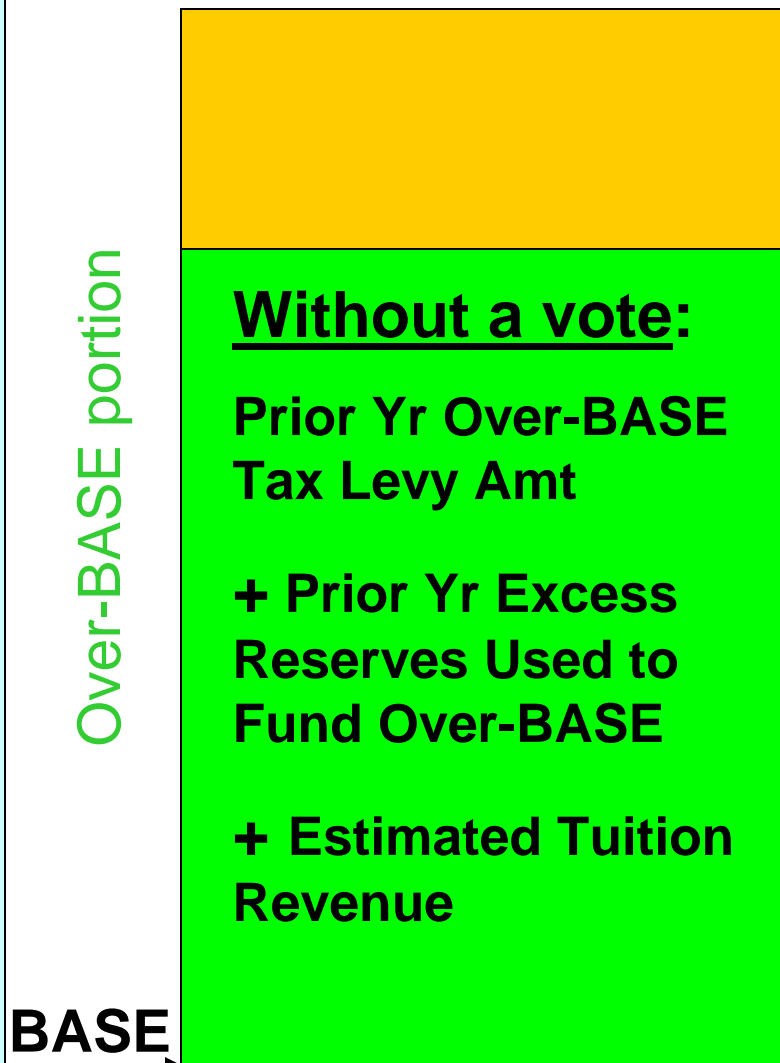
Prior Yr Over-BASE
Tax Levy Amt

+ Prior Yr Excess
Reserves Used to
Fund Over-BASE

+ Estimated Tuition
Revenue

BASE

Highest Budget With a Vote



Vote Required
for Increase in
Over-BASE Tax
Levy

District may adopt up to prior year budget or ensuing year's Maximum, whichever is higher.
(HB363) 2007 Session

Requires voter approval to increase the over-BASE levy.

Voting Requirements

General Fund Budget Limits

Max

Over-BASE portion

Without a vote:

**Prior Yr Over-BASE
Tax Levy Amt**

**+ Prior Yr Excess
Reserves Used to
Fund Over-BASE**

**+ Estimated Tuition
Revenue**

**Vote Required
for Increase in
Over-BASE Tax
Levy**

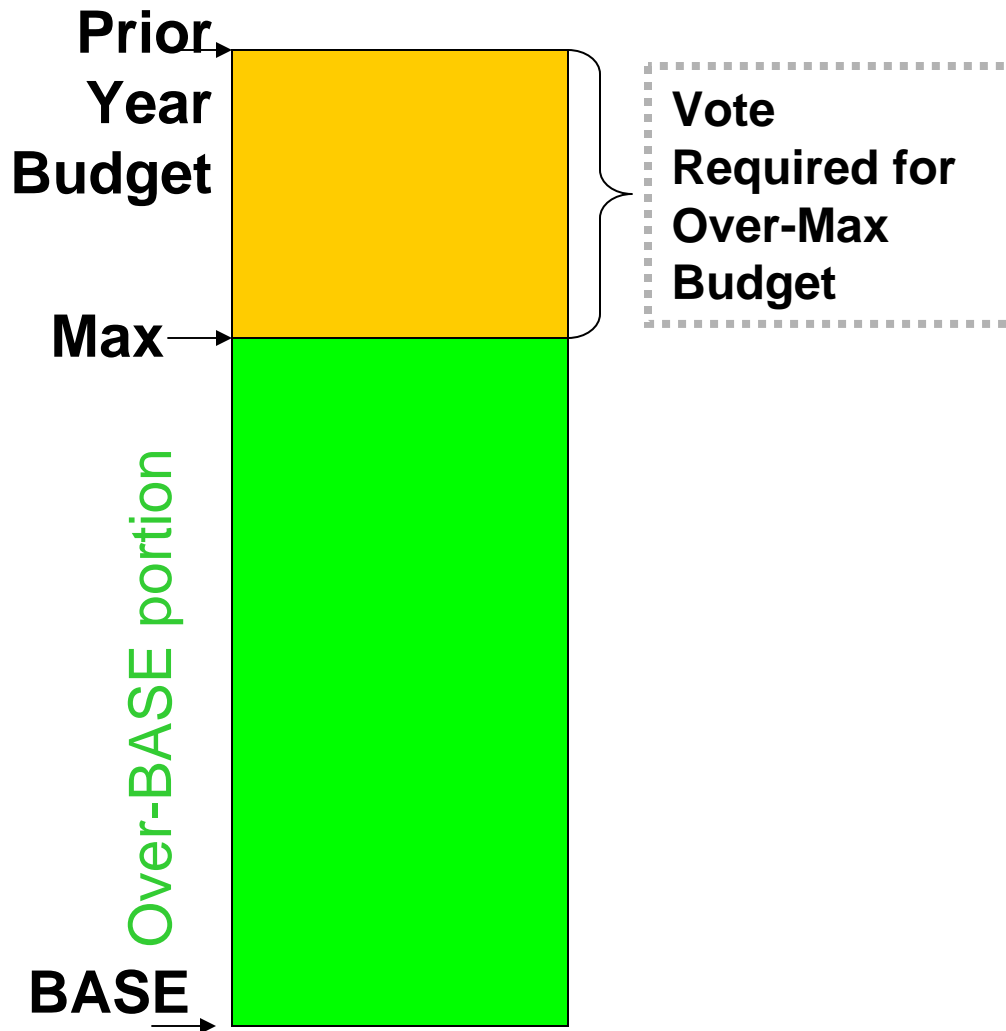
A district that adopted an equalized budget in the prior year may budget up to the Maximum. However, voter approval is required in order to increase the Over-BASE tax levy.

**Equalized
District**

BASE

Voting Requirements FY2004

General Fund Budget Limits



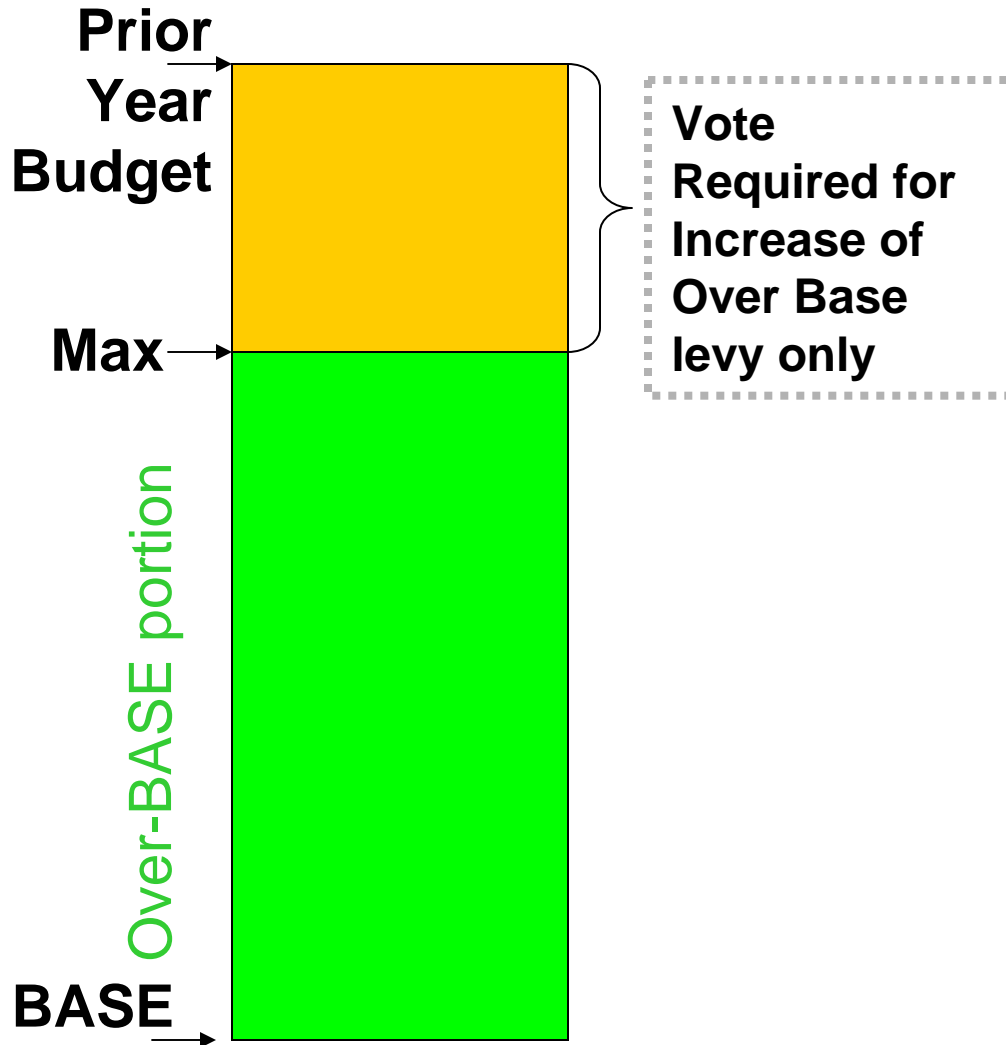
--Requires 5 year plan
to budget at Max by
end of 5th year

A district with a prior year budget that exceeds the ensuing year's Maximum budget may adopt the prior year budget if voters approve the Over-Maximum amount. The district must adopt a budget no higher than Maximum by the sixth year.

**“Over-Max”
District**

Voting Requirements FY2008

General Fund Budget Limits



~~--Requires 5 year plan to budget at Max by end of 5th year~~

~~A district with a prior year budget that exceeds the ensuing year's Maximum budget may adopt the prior year budget if voters approve the Over-Maximum amount. The district must adopt a budget no higher than Maximum by the sixth year.~~

**"Over-Max"
District**

Changes to Budget Limits 2005 Session

- School districts that adopted a general fund budget over the maximum level in any year from FY01 through FY05 was allowed to adopt up to the highest budget in any of those years, subject to certain voting restrictions. This applied to FY06 and FY07 budgets.

(HB624) 2005 Session

Changes to Budget Limits 2005 Session

- Beginning in FY06 a school district may permissively levy up to the same amount of over-BASE property taxes that it levied for its FY05 adopted budget.

(HB63) 2005 Session

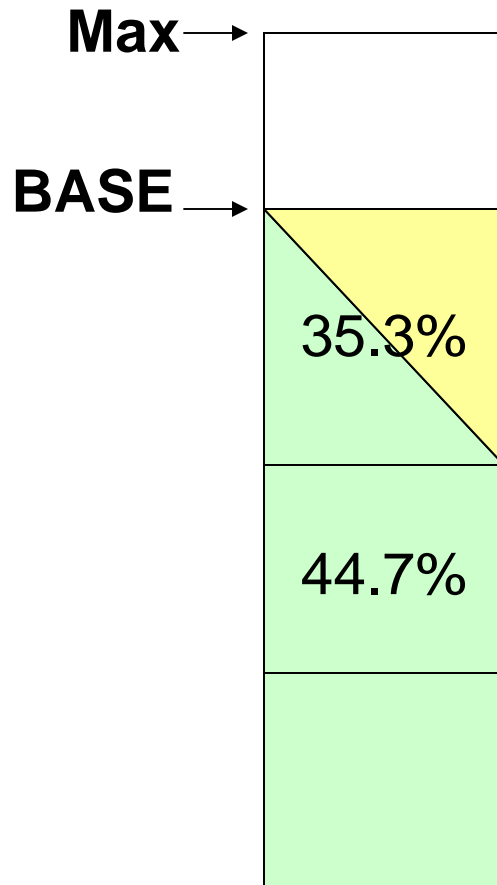
Changes to Budget Limits 2007 Session

- Beginning FY08, a school district may adopt a general fund budget up to the maximum general fund budget or the previous year's general fund budget, whichever is greater.
- If the state provides increases in the new general fund payments, the district may increase its budget to spend the money without going to the voters for approval.

(HB363) 2007 Session

Funding the BASE Budget

General Fund Revenues



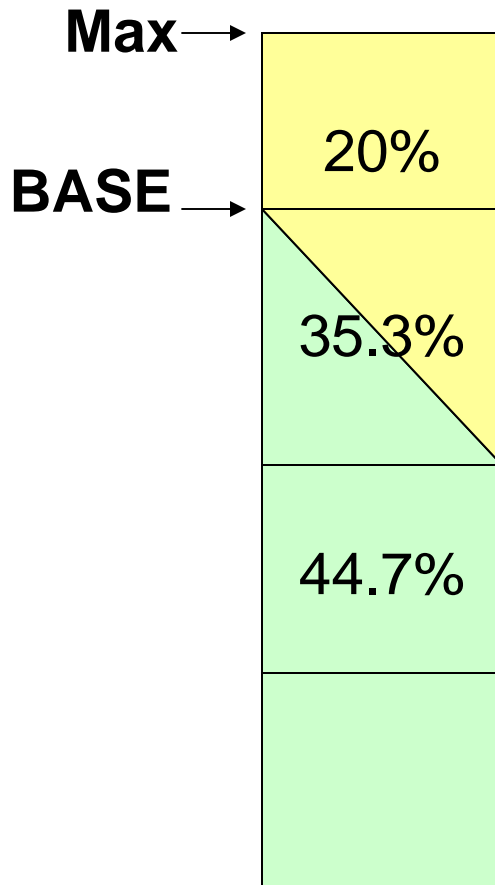
Local Mills
Guaranteed Tax Base Aid
Fund Balance Reappropriated
Non-Levy Revenue

Direct State Aid

} 100% Quality Educator Payment
100% At-Risk Student Payment
100% Indian Ed for All Payment
100% Amer. Indian Achvmnt Gap Payment

Funding the Maximum Budget

General Fund Revenues



Local Mills + Tuition+ Excess Reserves

Local Mills

Guaranteed Tax Base Aid

Fund Balance Reappropriated

Non-Levy Revenue

Direct State Aid

100% Quality Educator Payment

100% At-Risk Student Payment

100% Indian Ed for All Payment

100% Amer. Indian Achvmnt Gap Payment

140% Special Ed Allowable Cost Payment



How Guaranteed Tax Base Works

- State Taxable Value
\$1,914,714,158 (2006 tax year)
- State guarantees that for every dollar of the BASE budget that the district must fund locally, there will be \$20.83 (FY08) of taxable valuation at the elementary level and \$32.26 (FY08) at the high school level to fund that budget.
- The GTB level is recalculated each year.

Changes to General Fund GTB

- **Statewide GF GTB Ratio** changed from 175% to 193% effective in FY08. 321 districts received GF GTB in FY08, up from 306 districts in FY07.

(HB2) 2007 Session

Example: Havre Elementary

FY 04 GTB Ratio

Elementary districts: \$ 18.19

Havre Elementary

GTB Budget area: \$ 2,094,224

Taxable Valuation: \$ 15,256,168

Guaranteed Tax Base:
\$ 39,793,142

FY04 GTB subsidy/mill:
\$ 24,537

FY 08 GTB Ratio

Elementary districts: \$ 20.83

Havre Elementary

GTB Budget area: \$ 2,104,160

Taxable Valuation: \$ 15,555,431

Guaranteed Tax Base:
\$ 45,795,966

FY08 GTB subsidy/mill:
\$ 30,241

Non-Levy Revenue

- Schools must budget non-levy revenue
- Must include non-levy revenue BEFORE levying property taxes
- Examples of non-levy revenue include:
 - Investment earnings
 - State Reimbursements (for tax law changes)
 - Oil, gas and coal payments
 - State Paid Tuition
 - Block Grants

Changes to State Paid Tuition

- Revise school district tuition payments
- Beginning with 2005-06 attendance, tuition payments for a student placed outside the district of residence by a state agency or court, including a tribal court, are paid by OPI. HB83 appropriated \$336,000 for FY07.

(HB83) 2005 Session

Fund Balance Reappropriated

- Determine the fund balance in the district's general fund as of June 30
- Set aside up to 10% for an operating reserve for the ensuing year
- Set aside "excess reserves" (as defined in 20-9-104, MCA)
- Remaining fund balance must be used to fund the budget for the ensuing year before property taxes may be levied

Special Revenue Funds

Purpose: Account for proceeds of revenue sources that must be used for specified purposes.

- Budgeted or non-budgeted



Special Revenue Funds

Transportation Fund: For financing the maintenance and operation of district's school buses, private carrier contracts, and any amount necessary for the purchase, rental, or insurance of school buses or operation of the transportation program.



Pupil Transportation

- County transportation committee approves bus routes
- Each district calculates its transportation cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy for 50% of on-schedule costs
- State pays remaining 50% of on-schedule costs
- District levies excess on district taxpayers
- Levy is made permissively (no vote)

Changes to Pupil Transportation 2005 Special Session

- Increase of reimbursement rates for individual transportation contracts from \$0.25 per mile to \$0.35 per mile active FY07.

(SB1) 2005 Special Session

Retirement

- Funds school district cost of employee taxes, unemployment, and retirement
- Funded by permissive (no vote) countywide levy
- Each district calculates cost
- Budget needs given to County Supt.
- Total \$ needed is calculated
- Commissioners set county levy
- State guaranteed tax base supports mills

County Retirement Guaranteed Tax Base Aid

- County property tax levy is matched by state GTB aid
- Supported by guaranteed tax base
 - State mill value per ANB guarantee
 - Rich counties get nothing
 - Each EL mill raises \$23.79/ANB (FY08)
 - Each HS mill raises \$46.70/ANB (FY08)
- FY08 Co Retirement GTB: \$23,168,041

Other Special Revenue Funds

Budgeted:

- Bus Depreciation: Financing replacement buses
- Tuition: Costs of students who attend school outside their district
- Technology Fund: Purchase and maintain tech equipment and provide tech training
- Others

Other Special Revenue Funds

Non-Budgeted:

- Food Service: School food service operations
- Miscellaneous Programs: Local, state, and federal grants and reimbursements
- Others

Miscellaneous Programs Fund (SB1) 2005 Session

One-Time Only Payments (OTO)

- Indian Education for All
FY07 \$7 million distributed per ANB.
- Weatherization and Deferred Maintenance
FY07 \$23 million distributed \$1,000 per district and \$153 per ANB.
- Energy Cost and Transportation
FY06 \$13.70 per ANB.

Miscellaneous Programs Fund 2007 Session

One-Time Only Payments (OTO)

- Full-Time Kindergarten Start Up Cost payment. HB2 appropriated \$10 million, or \$971 per kindergarten student.
- Indian Education for All payment, based on Per-ANB and a minimum of \$500 per district. HB2 appropriated \$1.5 million for distribution in FY08 and \$1.5 million in FY09.
- Capital Investment and Deferred Maintenance payment. HB2 appropriated \$30 million in FY08.

Debt Service Funds

Debt Service Fund:

- Principal, interest on bonds and Special Improvement Districts (SIDs)
- Bond proceeds
- Budgeted fund with voted levy

School Facilities Payments

- Available to districts that have sold general obligation bonds
- Debt service mills are matched by state aid in low-wealth districts
- State support is capped
- EL mill value/ANB \$27.52 (FY08)
- HS mill value/ANB \$54.03 (FY08)
- \$10.51 million is appropriated (FY08)

Capital Projects Funds

Building Fund:

- Bond proceeds
- Insurance proceeds, federal funds, and property sold by district for building and construction projects
- Non-budgeted fund

Building Reserve Fund:

- Voter-approved building or construction projects
- Budgeted Fund

Other Legislation Related to School Funding



Quality Educator Loan Assistance Program

- Quality Educator Loan Assistance Program assists educators in the repayment of educational loans in an amount up to \$3,000 annually for four years.

(SB2) 2007 Session



Gifted and Talented

- Gifted and Talented is appropriated \$1.25 million each year of the 2009 biennium.
 - \$250,000 is on-going
 - \$1 million is one-time only

(HB2) 2007 Session

School Facility Inventory

- Allocation of \$2.5 million to conduct a School Facility Inventory to assess the condition of Montana schools in the areas of deferred maintenance, improved energy efficiency, and critical infrastructure.

(SB1) 2005 Special Session

School Facility Inventory

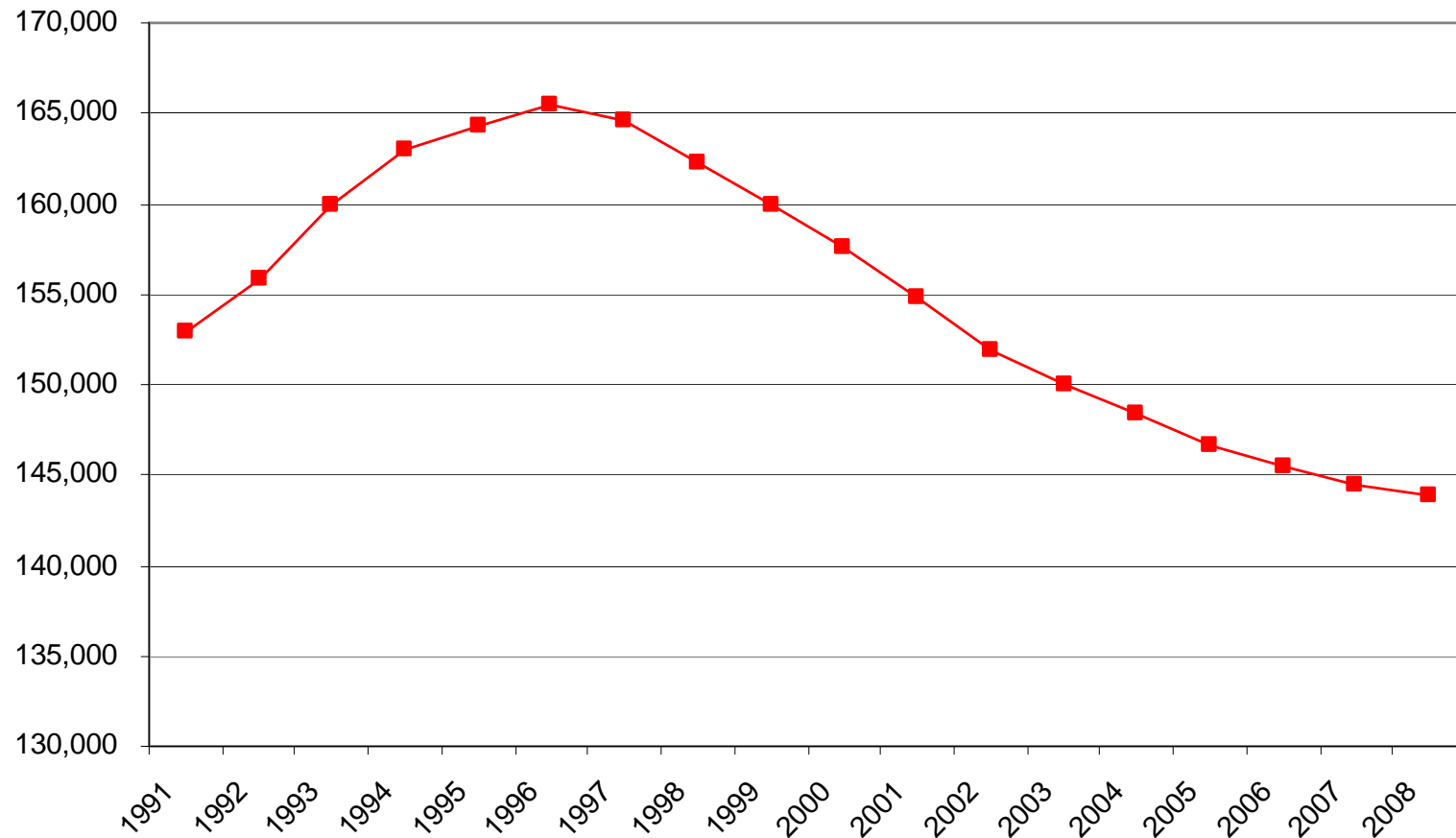
- A new school facility improvement account in the state special revenue fund to provide a funding source for schools to implement the recommendations of the school facility study. Legislation transferred \$40.8 million over the biennium into the account to be used as determined by the 2009 Legislature following completion of the school facility study.

(SB2) 2007 Session

References



Statewide Enrollment 1991-2008



1991-2007 Actual Data, 2008 Projected; Source G:\ENROLL\Projections\EnrollProjMarch2008.xls

Budgeted Fund Statewide Totals

<u>Fund</u>	<u>FY08 Adopted Budgets</u>
General	\$ 910,824,498
Transportation	\$ 72,636,463
Bus Depreciation	\$ 42,743,123
Tuition	\$ 4,122,941
Retirement	\$ 119,457,450
Adult Education	\$ 10,458,738
Non-Operating (9 districts)	\$ 343,505
Technology	\$ 22,980,190
Flexibility	\$ 21,642,019
Debt Service	\$ 46,006,609
<u>Building Reserve</u>	<u>\$ 56,670,648</u>
Grand Total	\$ 1,307,886,184

Middle School Basic Entitlement

- The middle school basic entitlement was introduced in conjunction with full time kindergarten. Its purpose was to prevent a loss in school funding caused by an increase in the K-6 share of the basic entitlement calculation.

Non-Levy Revenue – Block Grants

<u>Block Grant Type</u>	<u>FY08 Amount</u>
General Fund School Block Grant	\$44,019,074
Transportation Fund School Block Grant	\$ 1,814,665
Combined Fund SBG (Discretionary Placement):	
General Fund:	\$ 122,967
Transportation Fund:	\$ 68,575
Bus Depreciation Fund:	\$ 111,175
Tuition Fund:	\$ 11,240
Adult Ed Fund:	\$ 195,588
Non-Operating Fund:	\$ 3,211
Technology Fund:	\$ 237,899
Flexibility Fund:	\$ 1,762,969
Debt Service Fund:	\$ 118,137
Building Reserve Fund:	\$ 714,563
<u>Total Combined Fund School Block Grant</u>	<u>\$ 3,346,325</u>

Grand Total

\$49,180,064

General Fund Budgets

Number of Districts

Percent Group	2001	2002	2004	2005	2007	2008
Below Base	0	0	0	0	0	0
At Base	95	76	62	59	54	49
< 90%	96	92	57	46	48	49
90 to 97%	72	68	64	68	78	83
97 to Max	147	128	122	147	147	135
Over Max	38	80	133	116	98	105
Grand Total	448	444	438	436	425	421



School General Fund Revenues

